

AR35



# GHI MORTGAGE INVESTORS ANNUAL REPORT 1977







# FINANCIAL HIGHLIGHTS

	1974 <sup>(1)</sup>	1975	1976	1977
GROSS INCOME	\$370,666	\$615,946	\$707,452	\$927,262
NET INCOME	\$302,293	\$470,017	\$507,459	\$633,190
INCOME DISTRIBUTED (TOTAL)	\$302,293	\$470,017	\$507,459	\$600,601
INCOME DISTRIBUTED (PER UNIT)	1.07	1.31	1.34	1.39
% RETURN PER UNIT (BASED ON \$10.00 FACE VALUE)	14.2	13.1	13.4	13.9
UNIT HOLDERS' EQUITY	\$3,045,513	\$3,725,059	\$3,777,773	\$4,366,275
TOTAL ASSETS	\$3,859,480	\$5,085,350	\$4,933,782	\$6,532,611

(1) FOR THE NINE (9) MONTH PERIOD ENDED DECEMBER 31, 1974



# CHAIRMAN'S REPORT TO UNITHOLDERS

The Trust's fourth year proved to be our most successful to date. The success was achieved not only in our financial results, but in other areas which will prove to be of benefit to our continuing operations in future years.

Our income distribution for the year ending December 31, 1977, was a \$1.39, or 13.9¢ per unit based on a \$10.00 face value. In 1976, the yield was 13.4% and in 1975, 13.1%.



Of significance for the future growth of the Trust are our negotiations involving credit lines with three Canadian banks, which when completed, will result in our bank lines of credit more than doubling. Once this is achieved, and with those funds being effectively put to use we anticipate that our income will continue to increase.

In the direction of the Trust's activities we have made every effort to keep our portfolio well diversified and involved in sectors where the economy is vibrant. With the foregoing a prime consideration, the Trust made its first loan on security located outside of Canada in Houston, Texas. Our loan was made to a major Western Canadian Developer, and guaranteed by the parent Canadian Corporation. The loan was funded, and will require repayment, in Canadian dollars. It is not our intention to have a large portion of our portfolio outside of Canada, however, we did feel that in view of the strength of the Texas market, together with the strength of the borrower, that it was appropriate at this time to create a further diversification in the location of the Trust's investments.

As we have reported in our Quarterly Reports, it was determined that the Trust should establish a reserve against possible future losses, and in 1977, we commenced to fund such a reserve to the maximum allowable under the Income Tax Act. At December 31, 1977, we had funded a total of \$32,589. It is our intention to continue the funding and development of such a reserve.

We are gratified to note that trading in units of the Trust has become much more active with evidence of a wide interest, as we now have unitholders located in almost every province of Canada. We increasingly receive requests for more information from all parts of the country relative to the Trust's activities and we are cognizant of the confidence being shown in us by our unitholders.

Our Trustees continue to supply us with the benefit of their experience and knowledge, and along with their efforts and continuous close supervision, we hold high hopes for the continued development of the fund. During 1977, Leo Shearer, a Trustee since 1974, resigned his position due to his involvement in activities in the development business outside of Manitoba, resulting in long absences from Winnipeg.

With the growing support we are receiving, we look forward with confidence to our growth in 1978, and hope that such growth will be of benefit to our unitholders as well as assist in strengthening the economic growth of Western Canada by our continued support of those in the commercial real estate field.

A.A. PORTIGAL      PRESIDENT AND CHAIRMAN



# GHI MORTGAGE INVESTORS

(AN UNINCORPORATED TRUST ESTABLISHED UNDER THE LAWS OF MANITOBA)

## BALANCE SHEET

AS AT DECEMBER 31, 1977

### ASSETS

Cash  
Accrued interest receivable  
Mortgage loans, at cost (note 1)

	1977	1976
\$	14,731	\$ 17,795
	82,430	36,437
	6,435,450	4,879,550
	<u>\$6,532,611</u>	<u>\$4,933,782</u>

### LIABILITIES

Bank Advances (note 2)  
Income distribution payable  
Accounts payable and accrued liabilities  
Unit subscriptions received

\$	1,985,000	\$ 984,000
	170,053	136,016
	11,283	30,238
	-	5,755
	<u>\$2,166,336</u>	<u>\$1,156,009</u>

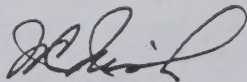
### UNITHOLDERS' EQUITY

Trust units (note 3)  
Unlimited authorization of units, face value  
of \$10 each  
Issued  
440,553 Units (383,635 in 1976)  
Reserve for losses

\$	4,333,686	\$3,777,773
	32,589	-
	4,366,275	3,777,773
	<u>\$6,532,611</u>	<u>\$4,933,782</u>

APPROVED BY THE TRUSTEES

W.C. IRISH  
TRUSTEE



A.A. PORTIGAL  
TRUSTEE

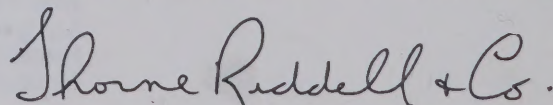


### AUDITORS' REPORT

To the Unitholders of  
GHI Mortgage Investors

We have examined the balance sheet of GHI Mortgage Investors as at December 31, 1977 and the statements of income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Trust as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

  
Chartered Accountants

Winnipeg, Canada  
January 26, 1978



# STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1977

1977 1976

<b>REVENUE</b>			
Interest on mortgage loans	\$ 875,030	\$ 707,452	
Prepayment bonus and fees	52,232	-	
	<u>927,262</u>	<u>707,452</u>	
<b>EXPENSES</b>			
Interest expense	161,313	100,810	
Advisory fee	91,938	70,468	
Other expenses	40,821	28,715	
	<u>294,072</u>	<u>199,993</u>	
	\$ 633,190	\$ 507,459	
<b>NET INCOME</b>			
Appropriation to Reserve for losses	32,589	-	
	<u>600,601</u>	<u>507,459</u>	
<b>EARNINGS AVAILABLE for Distribution</b>			
	<u>\$ 600,601</u>	<u>\$ 507,459</u>	
<b>DISTRIBUTION DECLARED</b>			
	<u>\$ 600,601</u>	<u>\$ 507,459</u>	
<b>PER TRUST UNIT (Note 5)</b>			
Net Income	\$ 1.46	\$ 1.34	
Appropriation to Reserve for losses	.07	-	
	<u>\$ 1.39</u>	<u>\$ 1.34</u>	

# STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1977

1977 1976

<b>WORKING CAPITAL DERIVED FROM</b>			
Net income	\$ 633,190	\$ 507,459	
Net proceeds from issue of trust units	555,913	52,714	
Bank advances	1,001,000	-	
Mortgage loan principal repayments	3,518,821	1,926,870	
Net change in other assets and liabilities	-	21,416	
	<u>\$5,708,924</u>	<u>\$2,508,459</u>	
<b>WORKING CAPITAL APPLIED TO</b>			
Mortgage loan principal disbursements	\$5,074,721	\$1,785,000	
Distribution declared to unitholders	600,601	507,459	
Reduction of bank advances	-	16,000	
Reduction of note payable	-	200,000	
Net change in other assets and liabilities	33,602	-	
	<u>\$5,708,924</u>	<u>\$2,508,459</u>	

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1977

## 1. MORTGAGE LOANS

The final maturity dates of the mortgages are as follows

	1977	1976
1977		\$1,995,000
1978	<b>\$3,930,050</b>	636,254
1979	<b>1,099,500</b>	491,994
1980	<b>1,205,900</b>	1,359,802
1981	<b>200,000</b>	396,500
	<b>\$6,435,450</b>	<b>\$4,879,550</b>

## 2. BANK ADVANCES

The Trust has assigned the mortgage loans to the banks to support its lines of credit.

## 3. TRUST UNITS

The amount shown as Trust Units issued and outstanding is calculated as follows

	1977	1976
440,553 Trust Units issued (383,635 in 1976)	<b>\$4,405,530</b>	<b>\$3,836,350</b>
Less issue expenses	<b>71,844</b>	<b>58,577</b>
	<b>\$4,333,686</b>	<b>\$3,777,773</b>

The 56,918 Units issued during the year were issued for cash.

## 4. INCOME TAXES

The Trust will not be taxed on income distributed to unitholders as it qualifies as a "Unit Trust" under the Income Tax Act of Canada.

## 5. INCOME PER TRUST UNIT

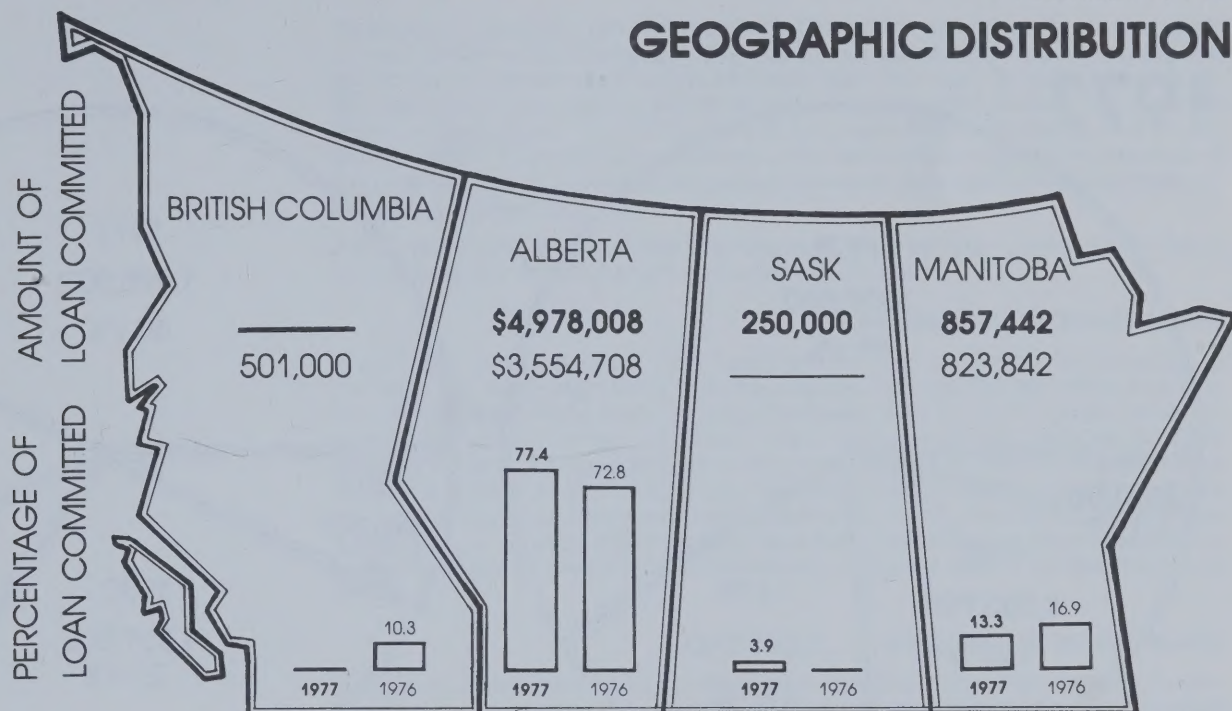
Income per Trust Unit is based on the weighted average number of Units outstanding during the year.



# ANALYSIS OF LOAN COMMITMENTS

AT DECEMBER 31, 1977

## GEOGRAPHIC DISTRIBUTION

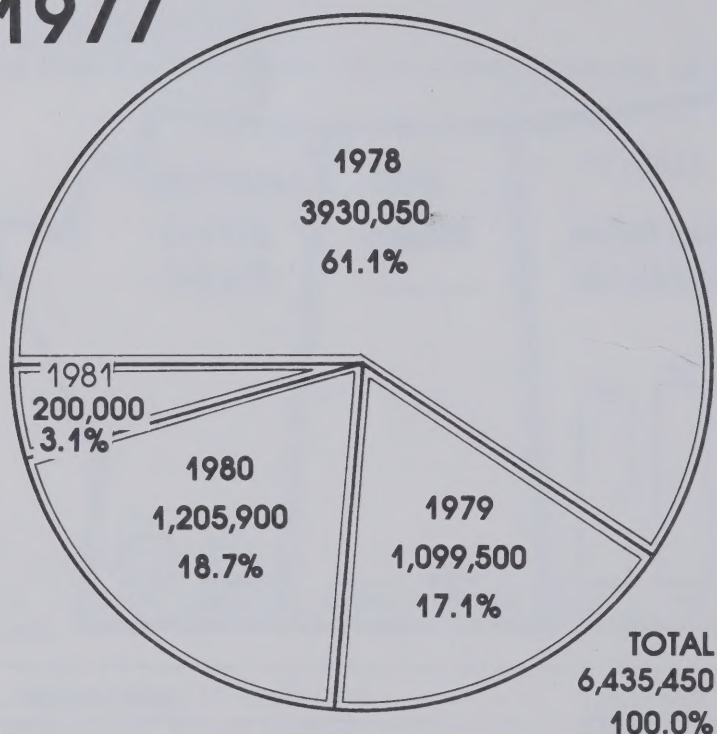


	AMOUNT OF LOAN COMMITTED		PERCENTAGE OF LOAN COMMITTED	
	1977	1976	1977	1976
U.S.A.	350,000		5.4	
TOTAL	\$6,435,450	\$4,879,550	100.0	100.0

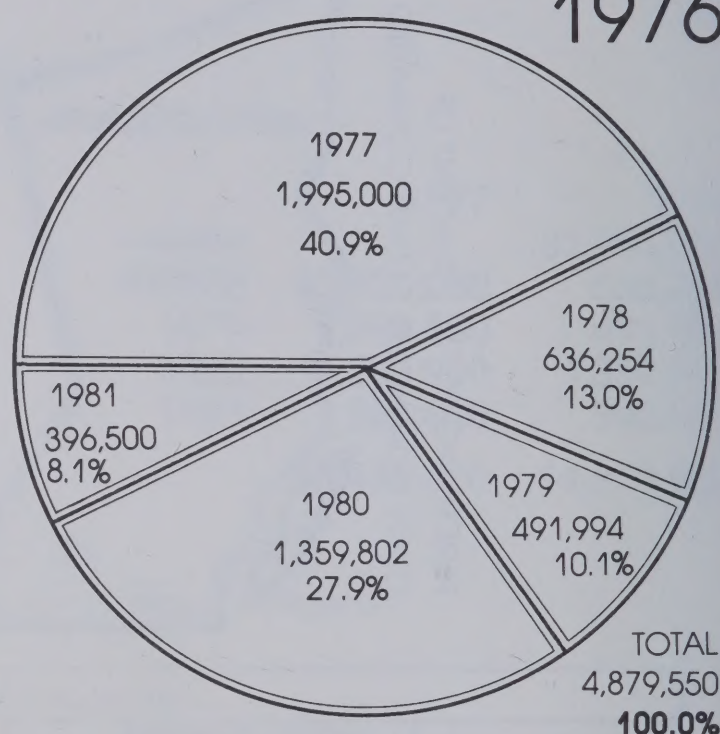
TYPE OF LOAN	AMOUNT		ESTIMATED AVERAGE ANNUAL YIELD %		PERCENTAGE OF PORTFOLIO	
	1977	1976	1977	1976	1977	1976
First Mortgage Loans						
Commerical	\$2,327,900	\$1,371,842	14.1	13.8	44.1	46.7
Development	-	275,000				
Residential	508,694	630,000				
	2,836,594	2,276,842				
Second Mortgage Loans						
Commercial	2,706,813	1,922,708	13.9	13.8	42.0	39.4
Construction Loans						
Commercial	892,043	680,000	15.0	15.3	13.9	13.9
TOTAL	\$6,435,450	\$4,879,550	14.1	14.1	100.0	100.0

# MATURITY OF LOAN COMMITMENTS

**1977**



**1976**



## QUARTERLY INCOME DISTRIBUTION PER UNIT

FOR THE YEAR ENDING DECEMBER 31, 1977

QUARTER ENDING:	1977	1976
March 31	\$ 0.330	\$ 0.326
June 30	\$ 0.330	\$ 0.329
September 30	\$ 0.340	\$ 0.330
December 31	\$ 0.386	\$ 0.359
<b>TOTAL</b>	<b>\$ 1.386</b>	<b>\$ 1.344</b>



# THE ROLE OF THE SHORT TERM LENDER

As a short to medium term lender in the Canadian real property development market, GHI provides an important service to owners and developers seeking the specialized financial assistance available from the Trust. By close supervision, GHI assists the borrowers in bringing an individual project to fruition. The Trust also enables the borrower to control his own long term financial destiny to a much greater extent than would be possible under other circumstances. In the eyes of the borrower the advantages far outway the short term cost of various financial packages offered by GHI.

The diversity and scope of the operations of the Trust can perhaps best be illustrated by the following examples from GHI's files.

## **THE REGIONAL SHOPPING CENTRE**

A professional accountant had purchased a site on which to construct a medium size shopping centre with the intention of locating his offices in a portion of the upper floor, while leasing the lower level for commercial development. He had obtained two local leases from small but reliable business operators and was negotiating for a long term mortgage loan on completion of the project. Through its investigations, GHI determined a real need in the area for the type of commercial development planning to lease the centre. Under close supervision, funds were advanced to allow the construction of the project which is now completed and GHI is in the process of being repaid by the long term lender.

## **DWELLINGS IN THE FAR NORTH**

Through competitive bidding a developer received a contract from a government source to construct apartment dwellings for employees at one of the most Northern points in Canada. Long term financing was arranged which left the developer with the requirement for interim construction funds. GHI, making use of its experience in Northern Canada and its team of professional advisors, prepared a commitment for the developer which will allow for completion of the project with close supervision being supplied by GHI.

## **HOMES IN WESTERN CANADA**

GHI has been instrumental in assisting a number of smaller contractors requiring construction financing, who wished to build new homes in growth potential areas. The reputation of the contractors was excellent, with a demand for the homes being readily apparent. Short term construction loans were made on various properties until sold, permitting the contractors to assist in housing developments in areas where there were critical needs.

## **FLEXIBILITY IS THE KEY**

GHI's mortgage portfolio contains loans secured by apartment dwellings in Regina, Saskatchewan, nursing homes in Calgary, a shopping centre in St. Albert, office buildings in Edmonton, shopping centres and warehousing in Winnipeg and numerous others in varied locations. Each transaction having its own story and each having to be worked out in a constructive manner that benefits the borrower and permits a better than average return to you, the Unitholder.

# AN OVERVIEW OF THE TRUST

GHI Mortgage Investors is a wholly Canadian owned and operated Mortgage Trust, created under the laws of the Province of Manitoba, and which commenced operations in April, 1974. The Trust derives its income exclusively from interest earned on real property loans and is a short-to-medium term lender, restricting its loans to those maturing in 6 years or less.

## OBJECTIVE

The basic objective of the Trust is to build a balanced and diversified portfolio of mortgage investments designed to provide unitholders with an above average return on high security investment. In order to accomplish this objective, the Trust actively seeks investment opportunities across Canada in commercial and industrial properties such as hotels, office buildings, nursing homes, shopping centres, warehouses, manufacturing facilities - as well as a wide range of residential properties and developments.

## ROLE OF THE ADVISER

GHI Mortgage Investors invests all of its money in loans arranged for it by its adviser, GHI Adviser Limited. The Adviser was the sponsor and is the contractual adviser of the Trust and provides professional expertise required by the Trust to meet its objectives. The Adviser also reviews investment opportunities, presents qualified applications to the Board of Trustees, provides the Trust with financial advice, controls liability and asset management, administers loans, maintains the books and records and administers and conducts the business operations of the Trust. Its fees are regulated by governmental agencies.

## TRUSTEES

The Trust is directed by a Board of Trustees noted for their expertise in the areas of real estate and finance. The Trustees form the decision-making body of the Trust and contract for the services of the Advisor to transact day-to-day operations.

## INCOME DISTRIBUTION POLICY AND OWNERSHIP

Beneficial ownership of the Trust is expressed in issued and outstanding "Units", transferable in the hands of unitholders and which are listed for trading on the Winnipeg and Alberta Stock Exchanges.

Under Canadian tax laws, the Trust qualifies as a conduit which effectively allows investors to participate in a constantly changing portfolio of investments, receiving untaxed income distributions from a professionally managed portfolio of mortgages.

The Trust has no tax liability on distributed income which flows through to the unitholder without being taxed and is then taxable as income in the hands of the unitholder at his or her personal tax rate. Unitholders may use distributed income from GHI as all or part of the \$1,000 annual income that each individual is allowed free of taxes. Alternatively, unitholders may place units in self administered Registered Retirement Savings Plans.

## OPERATION

Since its establishment in 1974, the Trust has been successful in supplying its unitholders with above average returns and has now established major relationships with three Canadian banks, insuring a continuing flow of investments funds, which should result in continued high returns to unitholders.

Four factors play a significant role in the Trust results.

- a) The Trust's policy of maintaining a loan interest rate that floats above the chartered banks' prime rate.
- b) Continual close supervision of every loan comprising the Trust's portfolio, which coupled with flexible and innovative management policies have enabled the Trust to move quickly to take advantage of changing investment opportunities.
- c) Self designed constraints, specifically to provide rapid portfolio turnover.
- d) A support network of architects and engineers and lawyers, aware of the Trust's requirements who act on behalf of the trust in the areas where they are located.

The Trust concentrates its activities primarily in the areas of first and second mortgage loans and construction loans. Its loan portfolio is well diversified to minimize risk and most monies advanced are less than 80% of independently appraised values related to the project.

It is anticipated that the Trust's performance will continue to be satisfactory in the coming year. We are hopeful that the factors that have been so instrumental in the growth of the Trust since 1974, will continue to allow for increased growth and expansion of activities in the coming years.







From left to right   AA Portigal   R.C. Deegan



From left to right   W.C. Irish   F.J. Keks   T.A. Crosier





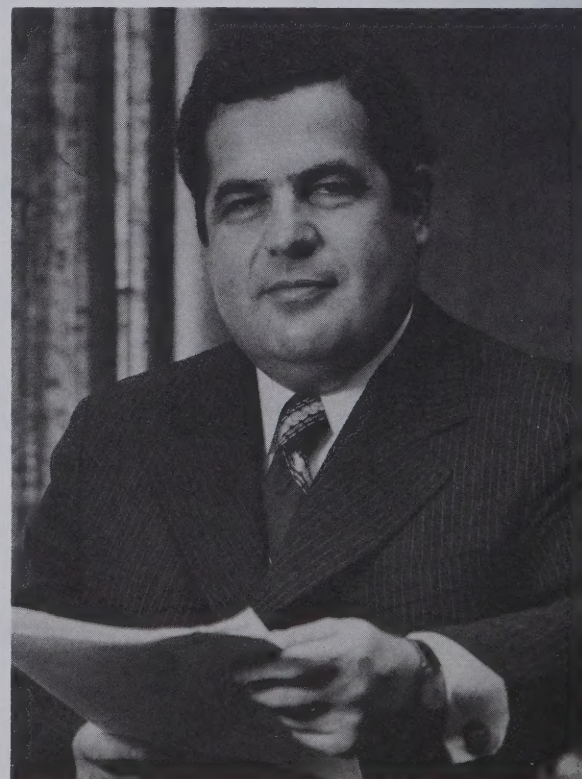
From left to right J.T. McJannet G.J. Kroft R.C. Deegan

#### TRUSTEES

T.A. Crosier	Partner, Crosier, Kilgour & Partners Ltd., Consulting Engineers
W.C. Irish	Partner, Inkster, Walker, Westbuty, Irish, Rusen & Hughes Barristers
F.J. Keks	Partner, Dunwoody & Company Chartered Accountants
J.T. McJannet	Partner, Norton, Schwartz, McJannet & Company Barristers
A.A. Portigal	Chairman & Chief Operating Officer of the Adviser and Vice-President of Genevieve Holdings Limited
N. Starr	President, Acklands Limited

#### OFFICERS

A.A. Portigal	President and Chairman of the Board
G.J. Kroft	Secretary
R.C. Deegan	Controller



N. Starr



ADVISER

GHI Adviser Ltd.  
1210 One Lombard Place  
Winnipeg, Manitoba  
R3B 0X3

AUDITORS

Thorne Riddell & Co.

BANKERS

Banque Canadienne Nationale  
Royal Bank of Canada  
Toronto Dominion Bank

LISTING

Winnipeg Stock Exchange  
Alberta Stock Exchange

TRANSFER AGENT, REGISTRAR AND CUSTODIAN

Canada Permanent Trust Company  
Winnipeg, Calgary, Regina

